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FILTRONA EXTRUSION

S.C. PUBLIC SERVICE COMMISSION
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Filtrona Extrusion
Samir Patel, President – East Region
2121 Old Dunbar Road
West Columbia, SC 29172

October 15, 2008

Mr. Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
Public Service Commission of South Carolina
Columbia, SC 29211

Re: Docket 2008-302-E

Dear Mr. Terreni,

We respectfully submit the attached "Letter of Protest" for consideration by the Public Service Commission of South Carolina.

In this very difficult economic period we trust that the Commission shall view our position as credible, and the necessary measures will be taken to deny SCANA of a "Mid-period rate Adjustment".

Sincerely,

Samir Patel
803-936-8418

CC: Scott Guess

Enclosure

Letter of Protest

October 6, 2008

Re: Docket 2008-302-E

Subject: Mid-Period Rate Adjustment by SCE & G

This letter serves as our statement of protest to the Mid-Period Rate Adjustment by South Carolina Electric & Gas Company. The announced mid-period rate increase will have multiple ramifications to the financial health of our company. Our company "Filtrona Extrusion" is located in West Columbia, South Carolina at 2121 Old Dunbar Road. We respectfully request that the Public Service Commission deny the requested mid-period rate adjustment announced by SCE & G. We deem the rate adjustment as unwarranted in light of lower pricing of crude oil, natural gas, and coal compared to the recent past.

As President of this Region of Filtrona Extrusion (a division of Filtrona Extrusion PLC) in West Columbia I have fiduciary responsibility at the Columbia plant with approximately 180 employees. The manufacturing operation supports the conversion of plastic materials into finished product, which streams into the lighting, refrigeration, recreational vehicle, point of purchase, retail, and wire management sectors. The broad range of sectors served has permitted Filtrona Extrusion to maintain steady employment of its associates during the recent difficult economic period. The employment census has remained stable with sales growth in each of the last three-year periods. Prior to serving our customers and the West Columbia community the company name has transitioned as follows...

Southern Plastics Corporation / American Filtrona / Bunzl Extrusion / Filtrona Extrusion

The plant employs 180 associates either full time or on a temporary service basis. The plant operates 24 hours per day – 7 days a week with limited holiday shut downs. Holiday shut downs are utilized for equipment maintenance and plant upgrades, which requires the services and supplies of our local supply base. Employment opportunities are provided to associates from multiple socio-economic backgrounds from Lexington, Richland, Kershaw and Saluda counties. The support of this plant is heavily dependent upon the utility services provided by SCE & G.

As a small to mid sized manufacturing operation, the financial support of Filtrona Extrusion to the West Columbia area extends well beyond the 180 families supported by our employment. Filtrona Extrusion is serviced by over 35 area companies and organizations representing a substantial financial impact to the West Columbia and surrounding communities via employment of individuals either on a full or part time basis.

The financial impact of the mid-period adjustment is $181,000 annually, with a projected annual power consumption of 13,851,000 kWH's. The estimated impact of the proposed 20% rate increase was received from Richard Thomas, Senior Account Manager for SCE & G.

Mr. Thomas presented the rate increase announcement drafted by Messgrs. Boomhower and Hatchell dated August 5th, 2008 providing the rationale to support the increase. Included in the announcement are reference points suggesting that the increased coal expense being incurred by SCE & G is directly influenced by transportation and supply pressures, as well as growth demand internationally. The announcement also outlines that the planned cost of coal was factored in the mid-$80 range, and spot market pricing for coal was being sustained at $150 per ton. A copy of the SCE & G letter dated August 5th, 2008 is attached.

Our view of these input costs suggests that the announcement was made at a time period in which the costs were peaking. Although transportation costs have varied in 2008 the current trend of total world crude pricing is below $100 per barrel. The current cost per barrel is similar to that of the first quarter of 2008, with apparent sustainability through the balance of 2008. Total world pricing of crude oil peaked in July with pricing over $135 per barrel. The total world price has been declining since that peak period. A copy of the <u>current</u> total world market price is attached for review - EIA "World Crude Oil Prices.

In review of the average coal factor through 189 closings in 2008, the average cost is $98 per ton ($18,528/189). This average is slightly up from the planned current fuel factor, but substantially less then the purported $150 per ton spot market noted in the announcement received from SCE & G of August 5th. The cost of coal peaked in July 2008 and has been declining since that peak period. The current bill rate class to Filtrona Extrusion is "class 23". The coal rates referenced are based upon the NYMEX Central Appalachian Coal Futures. A copy of a <u>current</u> EIA NYMEX Central Appalachian Coal Futures is attached for review.

Other input cost, such as Natural Gas, has also stabilized. Despite hurricane related disruptions in August and September supply has supported demand. No supply shortages are anticipated for the balance of 2008. In addition, downward pressure continues on the spot pricing market. The NYMEX future prices are in the mid-$7.000's per MMBtu. As reported by EIA this pricing is trending the same as that experienced in December 2007. There are no signs that this trend will not sustain itself. Attached is a <u>current</u> copy of the EIA Natural Gas Weekly Update report, which supports a trend of stabilization.

Coal Production for the Appalachian Region from 2004 to present has been flat, and is forecasted to remain flat through 2008 and into 2009. See attached U.S. Annual Coal

Production graphic. Overall U. S. Coal Consumption is forecasted to be down for 2009 as illustrated in a chart attached reflecting percent change from previous year starting in 2007. These forecasts suggest stability of coal production and consumption allowing the producers to develop budget plans to support US consumption. The cost of exporting coal should not burden the US market, nor should the resulting cost to support coal exports be borne by US industrial markets or consumers. We submit that SCE & G should blunt the efforts of the Appalachian Regions coal companies to raise prices domestically, if the respective coal companies elect to service regions outside the United States.

In summary a 20% increase in energy cost will not be accepted by the markets, which Filtrona Extrusion serves and we will be expected to absorb this increase. These markets are extremely competitive and do not allow for price recovery for energy related increases from its suppliers. Simply stated, rate increases implemented in arrears are not recoverable from our customers. Our market segments expect that its suppliers manage input costs related to energy usage.

A $180,000 increase to current energy cost will impact Filtrona in the following areas.

- New project funding: Each plant location of Filtrona is responsible for demonstrating that each new project stands upon its own merit. Projects may encompass product enhancement, new customer programs, employee safety, or addressing quality concerns voiced by our customers. Funds allocated to energy expense reduce the funding allocated to support new projects. These funds are typically transferred back to the community through our local suppliers and service providers as well.

- Associate training budget: Fundamental to the development of our associates is training. Our ability to complete all of the training planned will be impacted by an increase to the energy budget. Any decrease in training at the Filtrona plants impacts our operational efficiencies and overall customer quality.

- The ability to re-invest in the company: Re-investing in equipment and continually improving processes at the plant are crucial to Filtrona's survival in the markets we serve. Profits, which may be historically allocated to re-investment, may now have to be apportioned for the energy rate increase. This will have an impact on programs to initiate equipment purchases, or process improvements, directly impacting Filtrona's ability to differentiate itself from its competitors.

- Impacts Filtrona's ability to remain competitive to our customers: Although Filtrona will be expected to absorb a mid-year rate increase, new quotes to the customer base must and will include the additional energy cost once implemented. Passing this cost to our customers will reduce our competiveness placing new business opportunities in jeopardy.

We appreciate the opportunity to submit this Letter of Protest to the Public Service Commission and ask that the requested increase by SCANA be denied. We support the efforts of the Public Service Commission and understand that the commission will act on behalf of Filtrona's best interest.

SCANA® POWER FOR LIVING

For Immediate Release

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South Carolina Electric & Gas Company Seeks Mid-Period Adjustment to Fuel Cost Portion of Electric Rates

Columbia, SC, August 5, 2008... With coal prices recently soaring to unprecedented levels and the continued volatility of natural gas prices, South Carolina Electric & Gas Co. (SCE&G), principal subsidiary of SCANA Corporation (NYSE: SCG), today filed an application with the South Carolina Public Service Commission (PSC) and the South Carolina Office of Regulatory Staff (ORS) seeking approval for a mid-period adjustment to the fuel component of electric rates.

As a regulated utility, SCE&G is permitted to seek full recovery of costs prudently incurred in purchasing fuel, such as coal and natural gas, to operate its electric generation facilities. Fuel costs currently represent about 25 percent of what a residential customer pays for a kilowatt hour of electricity. These costs are a direct pass-through to customers; SCE&G does not earn a profit on that portion of its rates.

Typically, the PSC reviews SCE&G's electric fuel costs and authorizes the company to adjust electric rates annually – usually in May – to reflect those costs. This is the first time ever the company has sought approval for a mid-period fuel cost adjustment to electric rates.

"About 65 percent of our electricity is generated through the burning of coal," said SCE&G President Kevin Marsh. "Recently, transportation and supply pressures, combined with growing international demand and the declining value of the U.S. dollar, have spurred dramatic increases in the price of coal. When we were forecasting for future needs at the time the current fuel factors were established earlier this spring, a ton of coal was priced in the mid-$80 range. We're now seeing sustained prices in the spot markets in excess of $150 per ton – an increase of more than 75 percent."

To help level out the impact on customers, the company is seeking to implement the adjustment in two phases:

- Beginning with the first billing cycle in November
    - Residential customers would see a 6.06 percent increase; the monthly electric bill of a 1,000-kwh residential customer would increase $6.53 going from $107.67 to $114.20.
    - Commercial customers would see an average increase of 7.37 percent.
    - Industrial customers would see an average increase of 12.05 percent.

- Beginning with the first billing cycle of January 2009
    - Residential customers would see a 5.72 percent increase; the monthly electric bill of a 1,000-kwh residential customer would increase $6.53 going from $114.20 to $120.73.
    - Commercial customers would see an average increase of 6.86 percent.
    - Industrial customers would see an average increase of 10.75 percent.

"We're very sensitive to the impact fuel costs have on our customers," said Marsh. "We make every reasonable effort to minimize our fuel costs. We have highly trained people in place who are focused on obtaining reliable supplies of fuel at the lowest possible cost to our customers. Unfortunately, though, global energy prices are rising sharply, which is beyond our control."

Energy Information Administration

Petroleum Navigator

World Crude Oil Prices
(Dollars per Barrel)

Period: Weekly

Crude Type	08/22/08	08/29/08	09/05/08	09/12/08	09/19/08	09/26/08
Total World	109.26	111.83	106.41	98.53	90.30	98.8
United States	108.15	110.04	105.26	96.46	88.73	97.9
OPEC* Average	109.47	111.75	106.39	98.62	90.21	98.4
Abu Dhabi, Murban 39°	116.09	118.93	112.25	104.19	95.09	99.8
Algeria, Saharan Blend 44°	112.81	115.05	109.39	101.34	92.44	101.4
Angola, Cabinda 32°	106.34	109.51	104.30	96.18	87.53	96.9
Dubai, Fateh 32°	109.64	112.06	106.19	98.91	89.62	94.0
Ecuador, Oriente 30°	100.66	102.00	97.72	90.91	82.82	91.0
Indonesia, Minas 34°	116.05	119.21	112.66	103.75	94.14	101.0
Iran, Heavy 30°	106.24	108.75	103.44	95.85	88.10	96.8
Iran, Light 34°	109.14	111.65	106.34	98.60	90.20	98.9
Iraq, Kirkuk 36°	108.07	110.78	105.09	97.38	88.52	97.5
Kuwait, Kuwait 31°	105.83	108.09	103.02	95.79	86.50	90.9
Libya, Es Sider 37°	111.19	113.99	108.52	100.67	91.80	100.9
Neutral Zone, Khafji 28°	108.36	110.32	105.03	97.08	89.08	97.6
Nigeria, Bonny Light 37°	114.22	116.69	111.39	103.87	95.43	104.4
Nigeria, Forcados 31°	114.62	117.14	111.97	104.35	95.72	104.8
Qatar, Dukhan 40°	114.19	117.72	111.66	103.95	95.09	99.6
Saudi Arabia, Arabian Heavy 27°	102.06	104.02	99.93	91.98	83.98	92.5
Saudi Arabia, Arabian Light 34°	108.36	110.32	105.03	97.08	89.08	97.6
Saudi Arabia, Arabian Medium 31°	104.61	106.57	102.08	94.13	86.13	94.6
Venezeula, Bachaquero 17°	NA	NA	NA	NA	NA	N.
Venezeula, Bachaquero 24°	NA	NA	NA	NA	NA	N.
Venezuela, Tia Juana Light 31°	111.56	111.85	106.74	99.74	92.53	105.3
Non-OPEC* Average	108.99	111.92	106.43	98.41	90.41	99.2
Australia, Gippsland 42°	116.60	119.00	112.18	104.34	95.22	101.3
Brunei, Seria Light 37°						
Cameroon, Kole 34°	106.87	109.85	104.01	96.01	88.41	98.8
Canada, Canadian Par 40°	110.78	114.17	112.03	101.64	95.22	102.6
Canada, Heavy Hardisty 22°	104.11	105.81	102.83	90.22	84.04	92.7
Canada, Lloyd blend 22°						
China, Daqing 33°	110.94	114.16	107.72	99.19	89.77	95.7
Colombia, Cano Limon 30°	115.59	116.00	111.09	103.81	96.16	106.1
Egypt, Suez Blend 33°	106.63	109.30	103.60	95.90	87.22	96.4
Gabon, Mandji 30°	NA	NA	NA	NA	NA	N.
Malaysia, Tapis Blend 44°	121.18	123.48	117.08	109.60	99.84	105.3
Mexico, Isthmus 33°	111.45	111.74	106.63	99.63	92.42	105.2
Mexico, Maya 22°	106.09	106.38	100.19	91.72	84.19	95.6

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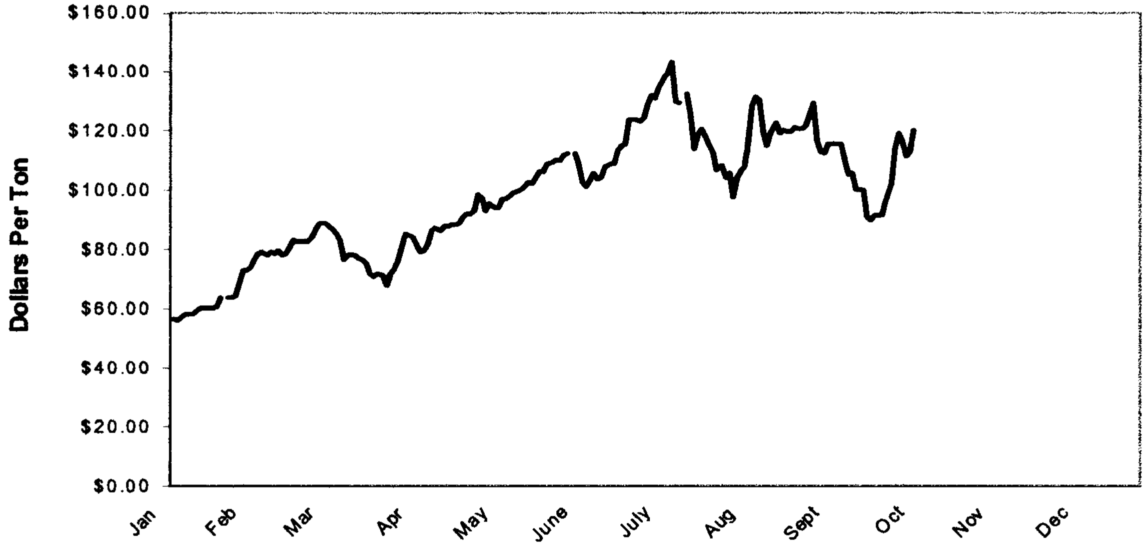
Energy Information Administration

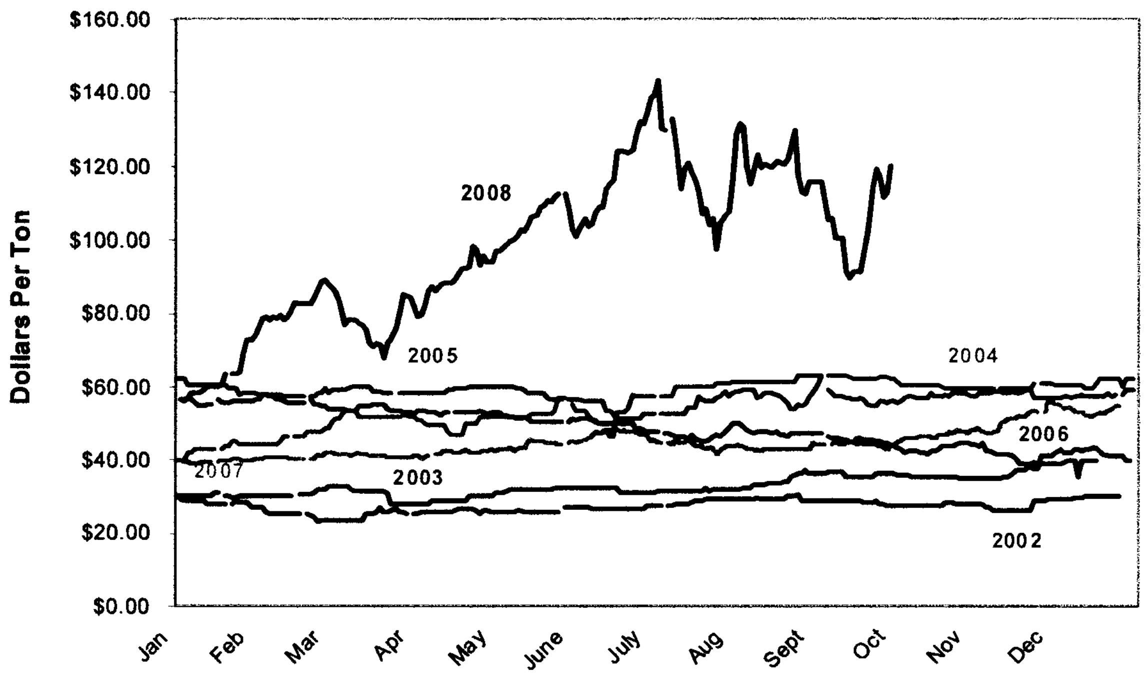
Central Appalachian Coal Futures

NYMEX Central Appalachian Coal Futures Near-Month Contract Final Settlement Price 2008



Data as of 09/26/2008

NYMEX Central Appalachian Coal Futures Near-Month Contract Final Settlement Price History



Data for September 2008

Source: New York Mercantile Exchange

Contact: Paulette Young **Email:** paulette.young@eia.doe.gov **Phone:** 202-586-1719

Natural Gas Weekly Update

Released: October 2, 2008
Next Release: October 9, 2008

Overview (Wednesday, September 24 to Wednesday, October 1)

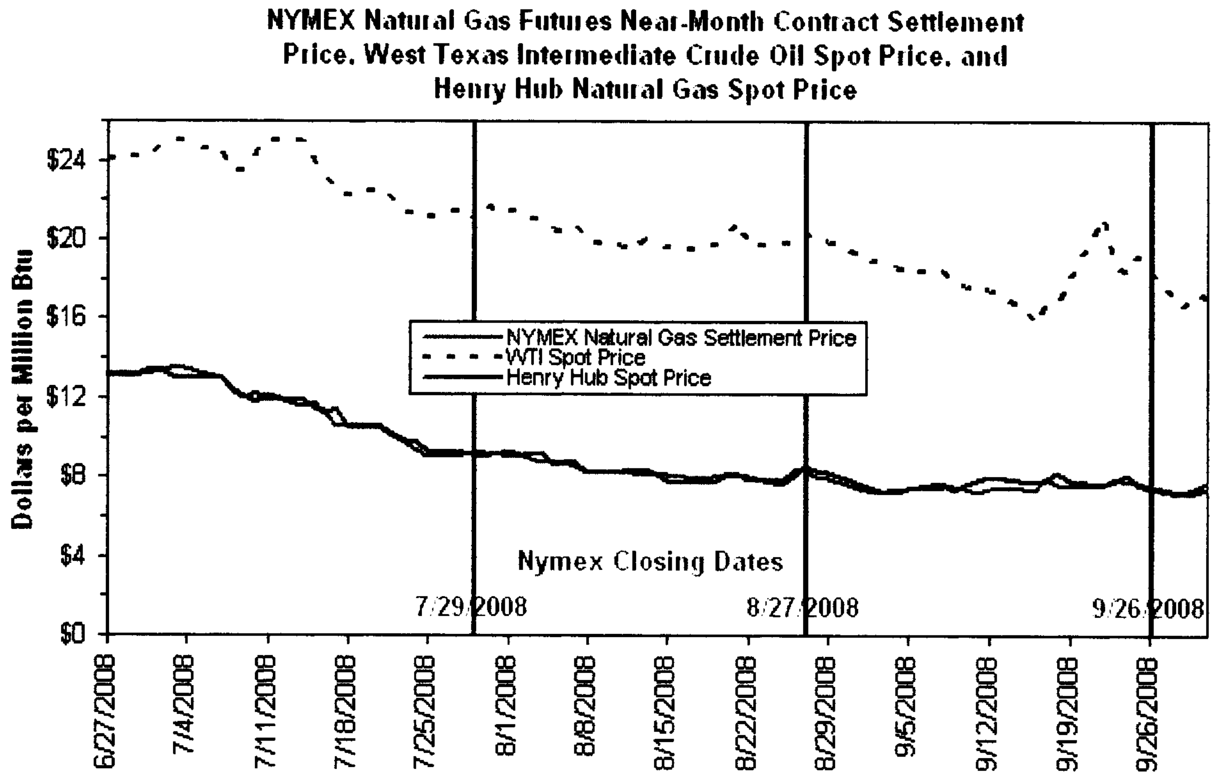
- Natural gas spot prices fell at most market locations in the Lower 48 States this report week, as seasonably moderate temperatures minimized natural gas demand in many areas of the country. The return of some Gulf of Mexico supplies during the week provided further downward pressure on spot prices. As of yesterday, October 1, the Minerals Management Service (MMS) reported that 3.5 billion cubic feet (Bcf) per day of natural gas production remains shut-in, 16 percent lower than the 4.2 Bcf per day reported 1 week earlier.

- The Henry Hub spot price fell in the first three trading sessions of the report week, reaching $7.13 per million British thermal units (MMBtu). However, the spot price rebounded in Tuesday's and Wednesday's trading, finishing the week at $7.41 per MMBtu.

- At the New York Mercantile Exchange (NYMEX), futures prices for the near-month (October) contract closed at $7.472 per MMBtu on September 26, recording a $0.580 net decrease during its tenure as the near-month contract and reaching the lowest closing price of a near-month contract since the January 2008 futures contract closed at $7.172 per MMBtu.

- Natural gas in storage reached 3,110 Bcf as of Friday, September 26, following a net injection of 87 Bcf, leaving current natural gas stocks 1.6 percent above the 5-year (2003-2007) average.

- The average West Texas Intermediate (WTI) crude oil price decreased $8.61 per barrel on the week to $98.23 per barrel or $16.94 per MMBtu yesterday.



Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

More Summary Data

Prices

Natural gas spot prices decreased at virtually all market locations following last week's increases in the aftermath of Hurricane Ike. The likely driver of the recent decreases is the lack of significant demand as all areas of the country, with the exception of the desert Southwest and inland California, experienced mild temperatures. The natural gas spot prices, along with both natural gas and crude oil prices in the futures market, decreased significantly on the week. On the week, the Henry Hub spot price declined 74 cents per MMBtu, or 9 percent, to $7.41 per MMBtu. Other price locations in Louisiana recorded decreases between 51 and 89 cents, reaching a regional average of $7.35 per MMBtu. Price declines for the week prevailed in other producing regions along the Gulf Coast, with Alabama/Mississippi falling 55 cents, followed by South and East Texas with declines of 42 and 31 cents, respectively. The price decreases in these regions reflect the return of gas supplies from the offshore and onshore production areas. Reported shut-in production in the Federal offshore Gulf of Mexico and in Louisiana (onshore and in State waters) were about 48 and 44 percent, respectively, of the pre-hurricane production levels.

In the Northeast, where mild temperatures prevailed for much of the past week, spot prices decreased by an average of 51 cents per MMBtu since last Wednesday. As of yesterday, the Northeast traded at a regional average of $7.75 per MMBtu, remaining below the $8 mark throughout the report week. The price of natural gas at Transcontinental's New York Zone 6 was $7.85 per MMBtu, decreasing 45 cents since the previous Wednesday.

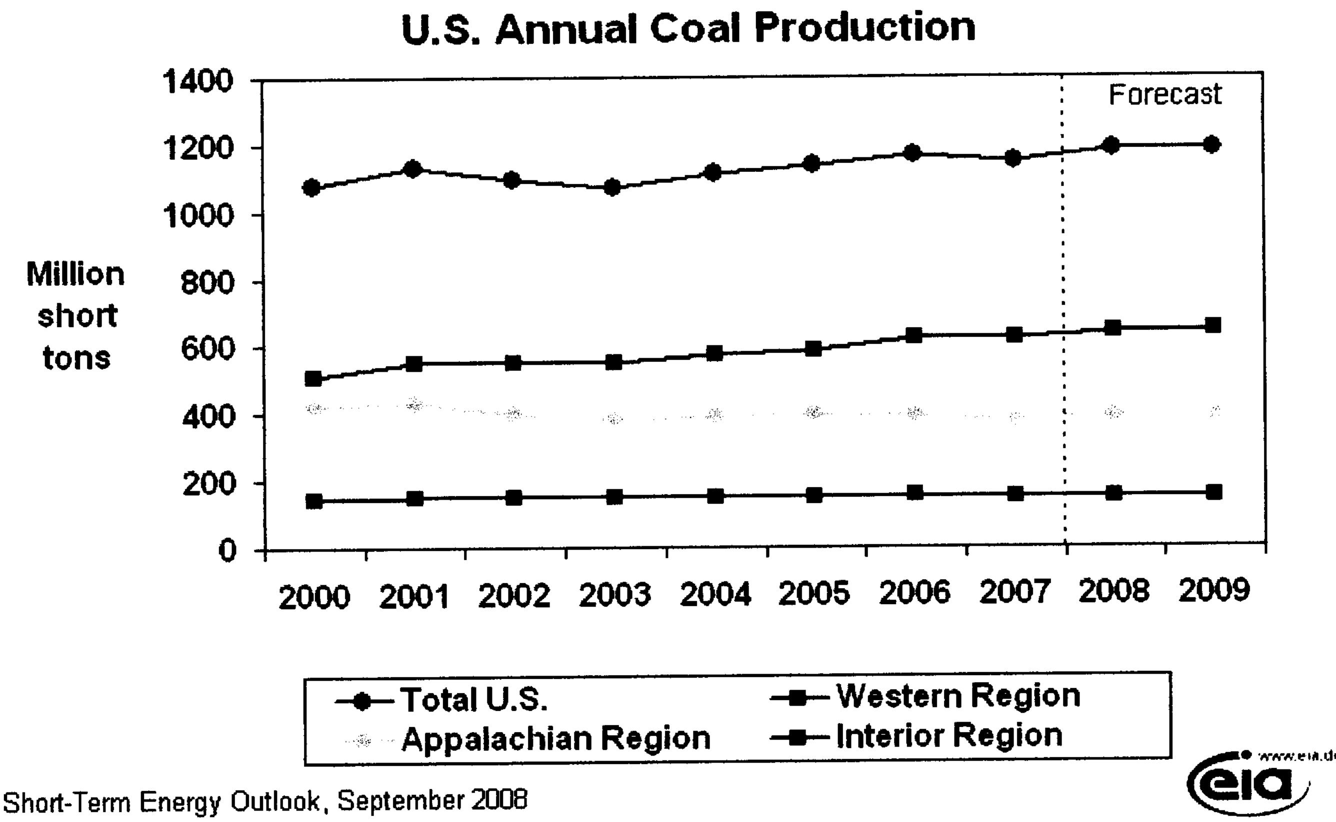
Spot prices in the Rockies also recorded a net weekly decrease, despite the sizeable increases in prices during Monday's trading at most points in the region, which followed the return of the Rockies Express Pipeline's (REX) flows in the area. REX began accepting nominations at its ANR Pipeline interconnect in Kansas and the Panhandle Eastern interconnect in Missouri during the report week, after nearly a month-long section outage for hydrostatic testing. The increases recorded on Monday in the Rockies averaged 68 cents per MMBtu; however, on the week, the price in the region fell by 67 cents to $4.22 per MMBtu.

Spot Prices ($ per MMBtu)	Thu 25-Sep	Fri. 26-Sep	Mon. 29-Sep	Tue. 30-Sep	Wed. 1-Oct
Henry Hub	7.63	7.42	7.13	7.17	7.41
New York	7.89	7.57	7.40	7.60	7.85
Chicago	6.80	6.41	6.47	6.94	7.13
Cal. Comp. Avg.*	6.18	5.81	5.98	6.13	6.38
Futures ($/MMBtu)					
October delivery	7.724	7.472	expired	expired	expired
November delivery	7.931	7.628	7.221	7.438	7.728
December delivery	8.268	8.015	7.601	7.788	8.020

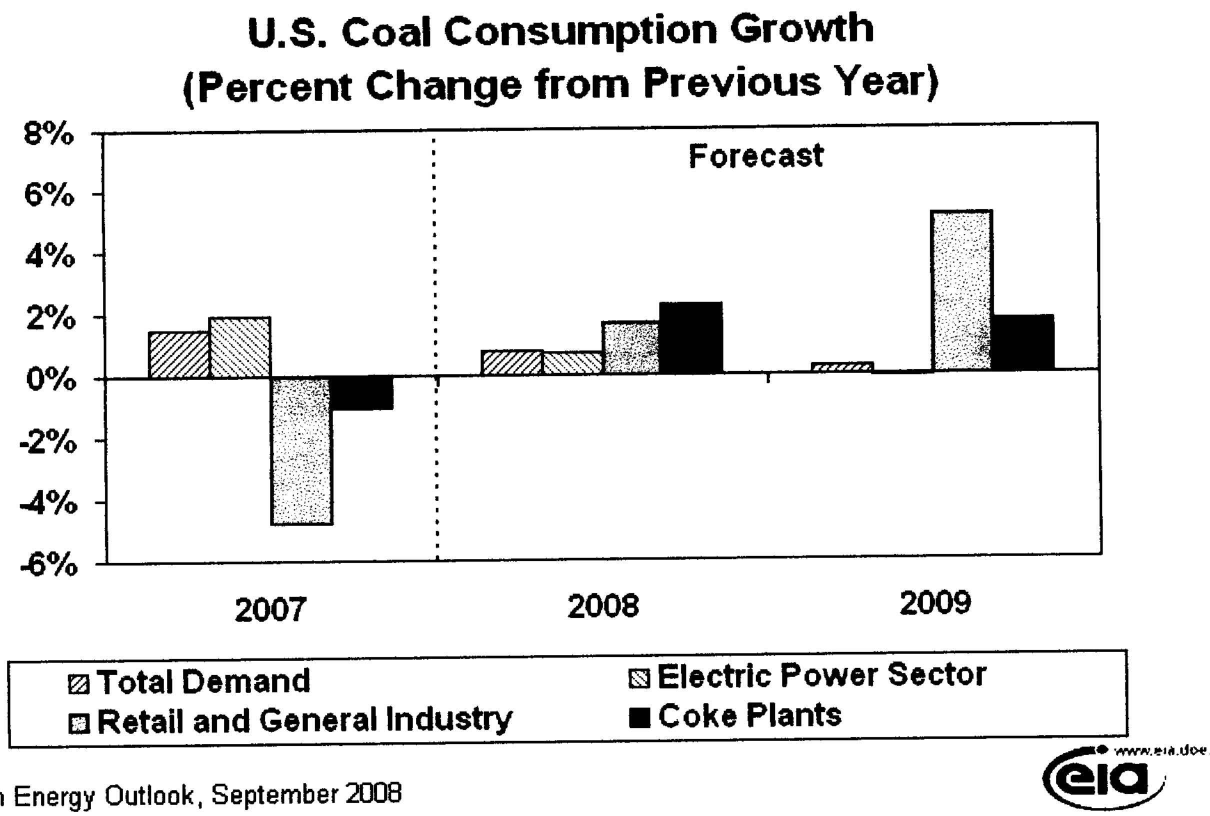
*Avg. of NGI's reported avg. prices for: Malin, PG&E citygate, and Southern California Border
Source: NGI's Daily Gas Price Index (http://intelligencepress.com).

At the NYMEX, the October 2008 futures contract closed on September 26 at $7.472 per MMBtu, reaching the lowest near-month closing price since last December. During its tenure as the near-month, the October 2008 contract recorded a net decrease of $0.580 or 7.2 percent, consistently trading below $8 since August 29.

The price of the new near-month contract fell this week, settling 18 cents, or about 2 percent, lower than last Wednesday's price of $7.908 per MMBtu. During its first day of trading as the near-month contract (Monday, September 29), the price of the November 2008 futures fell to $7.221 per MMBtu, recording the lowest price for a near-month contract since December 27, 2007. However, the price of the contract rebounded somewhat since then, ending the report week at $7.728 per MMBtu. The overall decreasing prices reflect expectations in the natural gas market influenced by the higher-than-average natural gas volume in underground storage, lack of additional tropical storms that could threaten further the production region in the Gulf of Mexico, as well as the significant decreases in crude oil prices that have occurred in the past 2 weeks. However, the uncertainty related to the financial markets and their possible impact on macroeconomic factors could negatively impact natural gas prices in the future.



Short-Term Energy Outlook, September 2008



Short-Term Energy Outlook, September 2008